

November 18, 2013

TO: Paul Massera, Chief, Strategic Water Planning Branch, Division of
Statewide Integrated Water Management, DWR
FROM: Ken Weinberg, Water Resources Department Director, San Diego County Water
Authority
RE: Comments on State Water Plan Update, Volume 1, public review draft

Sent via email: cwpcwm@water.ca.gov

Thank you for the opportunity to comment on Volume 1 of the public review draft of the 2013 State Water Plan Update. The San Diego County Water Authority has participated on a staff level in development of the Update, most notably through the Public Advisory Committee and as part of stakeholder groups both on a regional level and with specific topics such as the financing framework and several objectives and resource management strategies. We appreciated that DWR made these opportunities available and is open to meaningful stakeholder involvement.

Our comments on Volume 1 focus on Chapters 7 and 8 – the Finance Planning Framework and the Objectives and Related Actions. If you have any questions, please contact Mark Stadler, principal water resources specialist, at either mstadler@sdewa.org or 858-522-6735.

Chapter 7 – Finance Planning Framework

- Page 7-10, lines 5-6: The Water Plan Update public review draft (PRD) holds out transportation funding as the “model” for innovative financing mechanisms, suggesting that the water community should look to this approach. However, Figure 7-4 clearly shows that the amount of G.O. bond funding for transportation more than doubled from 1999 to 2011. At the same time the Water Plan goes to great lengths to set the stage for less reliance on bond funding and more reliance on “innovative” strategies (i.e., setting the stage for some future “sustainable” funding program), transportation funding is relying to an much greater extent on G.O. bond funding than it did just 14 years ago.
- Page 7-10, lines 20-23: It isn’t entirely clear how the Water Plan is using the term “user fees.” This section utilizes an example that says: “Direct project beneficiaries reimburse the costs through user fees. For example, Central Valley Project (CVP) water supply contractors pay for water deliveries that finance CVP costs.” The statement is generally true, and there are some charges and surcharges associated with contractual payment for water, but we don’t think that they are accurately characterized as “user fees.” These charges – which are contractually negotiated, and not imposed as fees – are commodity charges. The contractors are purchasing a commodity – water – not just paying a “fee” to finance CVP costs.
- Page 7-12, lines 1-5: Why does the Water Plan escalate total water G.O. bonds approved by voters to be reflected in 2010 dollars? That isn’t an accurate characterization of what voters have approved. For instance, in 1976, when voters approved Proposition 3, the California Safe Drinking Water Bond Law of 1976, they approved a \$175 million G.O. bond. They did NOT approve a \$606 million G.O. bond, which is the calculation the Water Plan is using by

escalating all G. O. bond dollars to be reflected in 2010 dollars. It's a skewed calculation that over-inflates the true amount of water bonds that voters have approved since 1970 in what appears to be an effort to show that, because voters have approved so much, it's time to look at alternative financing (fees, public goods charges, etc.).

- Page 7-12: DWR staff cites what are in effect two different dollar figure estimates on this page. On lines 24-31, the text asserts that the annual debt service for outstanding water bonds is approaching \$80 per household, while the state's total annual debt service amounts to about \$365 per household. However, lines 19-20 indicate that water bonds represent about 18% of total bond funding in the state. A simple mathematical calculation of the annual debt service would indicate that the water bond share of annual debt service, consistent with the 18% figure, is actually about \$66 per household – not \$80. Transportation bonds would represent about \$113 per household in annual debt service.
- Table-7-2, found at the end of Chapter 7, presents some problems:
 - Under General Obligation Bonds: The column for “application in California” indicates: “Commonly used, but some concern about getting future bonds approved.” This is a very subjective statement –Where has DWR staff established that there would be concern about getting future bonds approved? If that is the case, why is the Bay-Delta Conservation Plan asserting on a regular basis that passing two future water bonds with about \$4 billion in funding for BDCP ecosystem restoration is the game plan for realizing state funding for the plan? This column could say something like: “Subject to voter approval.” But DWR should eliminate the subjectivity of the existing statement.
 - Under User Fees: We are having difficulty following the terminology being used. Under “application in California” it states: “State Water Project is an excellent example as over 90% of project cost will be repaid by direct beneficiaries (contractors).” The contractors have a direct contractual relationship with the State for payments made to receive SWP supplies. It isn't a “user fee” structure – it is a contractually negotiated payment structure. Additionally, the purchase of a commodity – that being water from the SWP – shouldn't characterize that payment as a “user fee.”
 - Under “Statewide Water Use Fee (Proposed in 2006 and 2011): DWR needs to do a better job of highlighting the “Key Tradeoffs.” Saying only that it “could impact local agencies' ability to generate local revenues” doesn't come close to identifying the tradeoffs associated with this proposal, in particular that the proposal would have taken funds generated in one area and used them to finance projects in other regions of the state.

Chapter 8 – Roadmap for Action

Objective 1: Strengthen Integrated Regional Water Management Planning

- Page 8-4 and 8-5: We regret the lack of related actions for this objective in the PRD, but understand the need for consistency between the Water Plan Update and the Strategic

Plan for the Future of IRWM in California. We recommend that the related actions, when they are developed, be presented in draft form for public review before they are finalized. We hope that the related actions will propose solutions to the administrative difficulties that now afflict IRWM. Two good examples of these problems are the long lag time between invoicing DWR and receiving grant payments and the high cost and complexity of applying for grant funding. Both of these problems are making it difficult for some stakeholders – notably, disadvantaged communities – to participate in IRWM.

Objective 2: Use and Reuse Water More Efficiently

- Page 8-5: DWR discusses the targets established by SB x 7-7, but does not acknowledge DWR's role in tracking compliance with the targets. DWR is required to report to the Legislature on the status of compliance with SB x 7 -7 following completion of the 2015 urban water management plans. Many retail agencies are on track to meet their targets. Agencies that are on track should be focusing on the actions they will be taking to stay on track, while agencies that are not on track may need to implement specific DMMs to come into compliance and may need greater state guidance on how to achieve their targets.
- Page 8-6 discusses “fit for use” water. The purpose of “fit for use” is not necessarily to identify the uses that minimize high-level treatment, but to match the level of treatment with the proposed use. Use of highly treated recycled water will likely play an important role in meeting the State's goals for recycled water use.
- Page 8-6, Section 2.3: We recommend reviewing the status of the 2003 Recycled Water Task Force findings. With the recent changes in approaches for recycled water, this document is somewhat out of date. A more current and useful assessment of barriers to recycled water use was included in the CII Task Force Report.
- Page 8-6, Section 2.3.3: It is not clear what is intended by an evaluation of better alignment for recycled water use in agriculture and environmental applications to create more opportunities for recycled water use and reduce the energy required to produce recycled water. The existing treatment requirements for recycled water range from secondary effluent to advanced treated water. The standards are based on public health exposure and risk of illness. It is highly unlikely that the Department of Public Health will reduce treatment requirements as that would be likely to put public health at risk.
- Page 8-6, 2.3.5 proposes looking at regional barriers to indirect and direct potable reuse and to support expansion of recycled water use. This should also reference implementation of SB 918 and SB 322. Implementation of the requirements of this legislation is essential to ensuring public health protection and public acceptance for potable reuse in California. The focus should be on implementing the legislative requirements and supporting the results with outreach and education.
- Page 8-7, Section 2.6: DWR should cooperate with both the urban water *use* community and the water *supply* communities to establish standardized urban water use classifications reporting purposes.

Objective 4: Protect and Restore Surface Water and Groundwater Quality

- Page 8-10, Section 4.1.2: Although it is important to reduce pollutant loadings to the ocean and reduce beach closures, this is not related to water supply with the exception of the supply from seawater desalination.
- Page 8-10: There should also be a new provision (provision 4.1.4) that reads: Implement a strategy to determine if the water quality goals in the existing basin plans are achievable even under natural conditions, and focus on water quality improvements that are most achievable and have the greatest impact on protecting beneficial uses.
- Page 8-10, Section 4.2.5. This section should acknowledge that many of the most significant salt and nutrient loadings into local groundwater basins are not due to recycled water, but come from other sources and that salt and nutrient planning and solutions will require greater participation by all stakeholders.

Objective 7: Manage the Delta to Achieve the Coequal Goals for California

- Page 8-18, Line 29-32: This section states that the Legislature has recognized that “for the sake of the water system and the Delta both, a partial weaning of the one from the other is required.” It is clear from the Delta Plan that reducing reliance doesn’t necessarily mean decreasing deliveries from the Delta. The statement quoted here should be deleted and replaced by this passage from the Delta Reform Act: “The policy of the State of California is to reduce reliance on the Delta in meeting California’s future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency.”
- Page 8-19, Action 7.2.2 and Action 7.2.4: These related actions should be deleted, since we don’t yet know what the “expanded water supply reliability element” in the UWMP will entail. The Delta Plan is already under litigation in regard to going beyond its legislative authority by regulating local water decisions.

Objective 8: Prepare Prevention, Response and Recovery Plans

- Page 8-21, Action 8.2: “Water shortage contingency plans prepared as part of the 2015 urban water managements plans should increase drought planning from a 3-year drought to a 4-year drought, until more accurate information is available.” How did DWR settle on 4 years? The reasoning is not really addressed in the text. Is it to capture how “...drought impacts increase with the length of a drought...” (page 8-21, second paragraph)? In addition, we are unsure what is meant by: “until more accurate information is available.” Overall, this recommendation needs a better explanation of how it was reached.

Objective 9: Reduce the Carbon Footprint of Water Systems and Water Uses

- Page 8-22, Objective 9: DWR should recognize that GHG emissions associated with energy intensity will vary depending on the source of energy being used. For example solar and wind energy have zero GHG emissions, while fossil fuel-powered energy produces GHGs. The ability of energy providers to store energy will help them

maximize use of solar- and wind-powered energy sources. Time of day pumping and pump storage options can help energy providers maximize use of zero GHG energy sources. There should be a statewide assessment of the opportunities for water and energy providers to collaborate to maximize use of low GHG sources of energy.

Objective 15: Strengthen Alignment of Land Use Planning and Integrated Water Management

- Page 8-39, Action 15.10: All stakeholders, not just state government, should be involved in evaluating the effectiveness of SB 610 and 221. Those entities involved in implementing SB 610 and 221 should be providing input into any recommendations to change the laws.

Objective 16: Strengthen Alignment of Government Processes and Tools

- Page 8-42, Action 16.4.1-16.4-5: We support the overall tenor of this section, which is that state and federal agencies should focus on appropriate outcomes rather than telling regional and local agencies how to carry out state water policies and regulations. Action 16.4.1 says the state should assist regional water collaborative such as regional water management groups to determine *how* state water policies are implemented in their planning regions. We agree, and believe This same concept also should be expanded to apply to preparation of UWMPs. State government agencies should not be dictating how we conduct our supply planning to comply with UWMP Act. Similarly, in Action 16.4.4, we agree that the state should utilize “voluntary, outcome-based and system-scale ... approaches for regulatory and permitting processes and engage project proponents collaboratively, earlier and more often during the process.”

Objective 17: Improve Integrated Water Management Finance Strategy and Investments

- On Page 8-45, Item 17.3: We do not support the notion that the State government should be in the business of improving and facilitating access to **federal** public revenue sources. The state already says it doesn't have funding to accomplish its existing obligations; it makes little sense to add the huge obligation of new administrative functions and actions that would be obligated under proposal 17.3. Each of these tasks and obligations is a new cost driver – demanding more pressure on funding for new state functions that aren't really that helpful.